

Modeling Health Insurance Reform Options

Presentation to Let's Get Washington
Covered Task Force Meeting
December 17, 2003

What is in the Plan

- REINSURANCE
- RECAPTURE
- BLENDING
- MARKET CHANGES

Results We Can Achieve in 5 years:

- Lower Premiums: \$55 per year
- Insurance Coverage for Uninsured Workers: 37,738
 - Reinsurance impact 21,338
 - Blending 16,400
- Reduction in cost of Health Insurance for Purchasers: \$76,299,135
- Reduction in cost of Uncompensated Care: \$10,485,729
- Premium added to market: \$39,632,820

Market Results: Economic Impacts

Economic Impacts of the Proposed Reinsurance					
Impacts	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Lower Premiums</i>	-\$31	-\$37	-\$43	-\$49	-\$55
<i>Insurance Coverage for Uninsured Workers</i>	9,431	12,408	15,385	18,362	21,338
<i>Purchasers Price Savings</i>	-\$39,700,593	-\$48,850,228	-\$57,999,864	-\$67,149,499	-\$76,299,135
<i>Reduction in Uncompensated Care</i>	\$4,634,350	\$6,097,195	\$7,560,039	\$9,022,884	\$10,485,729
<i>New Premium Added to the Market</i>	\$17,830,024	\$23,280,723	\$28,731,422	\$34,182,121	\$39,632,820

How do we get there?

First: Restructure Risk Financing

Reinsurance

Design for Reinsurance

- All Commercial Group Carriers Will Participate
Individual Market Not Included
- Reinsurance Plan set in place: July to January of 2004
Plan to Contract With One Reinsurer
- Quarterly Funding Assessments Begin in January of 2005
Including recapture for Basic Health Blending
- Risk transfer to fund begins in January of 2005
\$25,000 Attachment
74/26% split
- Decline in Risk Premium Cost: \$29,906,613
- Reduced Reserve Requirements: \$35,230,028
- Recapture for BHP Blending: \$20M

Reinsurance Financing

Reinsurance - Financing (Small & Large Groups)						
Premium Factors	Current Market Without Reinsurance		Reinsurance		Current Market With Reinsurance	
	Loading Factors	Amount	Loading Factors	Amount	Loading Factors	Amount
<i>Benefit Paid</i>		\$3,696,509,565		\$411,552,335		\$3,284,957,230
<i>General Administrative Cost</i>	8.74%	\$371,536,176	4.37%	\$17,984,837	10.57%	\$347,198,269
<i>Claim Administrative Cost</i>	3.82%	\$162,387,665	1.91%	\$7,860,650	4.94%	\$162,387,665
<i>High Risk Pool Assessment</i>	0.31%	\$11,459,180	0.00%	\$0	0.00%	\$11,459,180
<i>Reinsurance</i>					10.74%	\$457,826,842
<i>Subtotal</i>		\$4,241,892,586		\$437,397,822		\$4,263,829,185
<i>Premium Tax</i>	2.00%	\$84,837,852	2.00%	\$0	2.00%	\$85,276,584
<i>Risk Charge</i>	2.36%	\$100,108,665	0.65%	\$2,835,810	1.77%	\$67,366,241
<i>Reserve Contribution</i>	3.36%	\$153,475,388	4.32%	\$18,905,403	3.02%	\$99,339,957
<i>Investment Income</i>	-0.30%	-\$12,725,678	-0.30%	-\$1,312,193	-0.30%	-\$8,236,945
<i>Total</i>		\$4,567,588,813		\$457,826,842		\$4,507,575,023
<i>Administrative Cost, Premium Tax and Investment Income Offset</i>						-\$5,122,851
<i>Risk Premium Saving</i>						\$29,906,613
<i>Reserve Reduction</i>						\$35,230,028
<i>Total Saving</i>						\$60,013,790

Sources: Carriers' financial statements filed with NAIC and OIC, Lewin WHBSM 2003, Carriers' filings on rating methodology.

Reinsurance - Financing (Small & Large Groups)						
Premium Factors	Current Market Without Reinsurance		Reinsurance		Current Market With Reinsurance	
	Loading Factors	Amount	Loading Factors	Amount	Loading Factors	Amount
<i>Benefit Paid</i>		\$3,696,509,565		\$411,552,335		\$3,284,957,230

Reinsurance - Financing (Small & Large Groups)						
Premium Factors	Current Market Without Reinsurance		Reinsurance		Current Market With Reinsurance	
	Loading Factors	Amount	Loading Factors	Amount	Loading Factors	Amount
<i>General Administrative Cost</i>	8.74%	\$371,536,176	4.37%	\$17,984,837	10.57%	\$347,198,269
<i>Claim Administrative Cost</i>	3.82%	\$162,387,665	1.91%	\$7,860,650	4.94%	\$162,387,665

Reinsurance - Financing (Small & Large Groups)						
Premium Factors	Current Market Without Reinsurance		Reinsurance		Current Market With Reinsurance	
	Loading Factors	Amount	Loading Factors	Amount	Loading Factors	Amount
<i>Risk Charge</i>	2.36%	\$100,108,665	0.65%	\$2,835,810	1.77%	\$67,366,241

Reinsurance - Financing (Small & Large Groups)						
Premium Factors	Current Market Without Reinsurance		Reinsurance		Current Market With Reinsurance	
	Loading Factors	Amount	Loading Factors	Amount	Loading Factors	Amount
Administrative Cost, Premium Tax and Investment Income Offset						-\$5,122,851
Risk Premium Saving						\$29,906,613
Reserve Reduction						\$35,230,028
Total Saving						\$60,013,790

Second: Recapture

Total savings: \$60,013,790

\$20,000,000 Recaptured for Basic
Health Blending

Third: Basic Health Blending

Focus on small employer groups: 2-50 employees

- Same definition of employee (RCW 48.43.005) in small employer group market in (e.g., full-time employee = 30 hours/week)
- Premium assistance provided directly to employees below 200% of poverty
- Premium assistance based on same BHP sliding-scale
- Cap premium assistance at the individual BHP amount
- Premium assisted and non-premium assisted employees in the group
- Re-determine eligibility (e.g., income review) annually
- Retain certain Basic Health eligibility policies: Medicare-eligible persons and non-residents are ineligible

Basic Health Blending

Prior offer: Employee not offered insurance within last 6 months

Employer

- Meet definition of small employer group (RCW 48.43.005)
- Minimum premium contribution (to be determined)

Commercial health plans only

- Possibly better transition to coverage without premium assistance
- Individual BHP still available

Basic Health Blending

Potential results: \$20M recapture for blending

New premium-assisted enrollees:	8,700
---------------------------------	-------

New non-assisted enrollees:	7,700
-----------------------------	-------

Total	16,400
-------	--------

Evaluation

Fourth: Market Changes

- Group size minimum of 2
- Eliminate BHP look-alike
- Value Plans 2-50
- Federal standard for guaranteed renewability